

V. 25 no. 1

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

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395532 Business Conditions in the Seventh Federal Reserve District

The change in the business situation in the Seventh Federal Reserve District following the declaration of war has been one of intensity rather than direction of movement as the shift to a wartime economy had been going on in some industries and had been prepared for in others. Business continued upward despite allocations of critical materials and the transition to war production. January will be remembered as the month when scare buying pushed department store sales to a peak for that month, brought about plans for rationing of certain food products, and witnessed the stoppage of civilian production in one of the District's greatest industries, the building of automobiles.

Production quotas for certain civilian goods were revised downward, as the need for critical materials became more acute. This situation applied particularly to those industries using metals in the fabrication of civilian goods. The producers of basic materials such as coal, oil, and steel operated at near capacity levels.

The urgent need for bituminous coal lifted production in the Illinois, Indiana, Iowa, Michigan area to approximately eight million net tons during December. This tonnage was second only to the March record of eight and a half million tons. Production was further increased during the first fifteen days of January, when a total of almost five million was reached.

The daily average of crude oil production in the District for the four weeks ending January 24 was 439,350 barrels, an increase of 14 per cent over the same period a year ago. Operations at refineries in the Illinois-Indiana-Kentucky area increased in January, with runs of crude oil to stills exceeding the December runs by 9 per cent. The daily average during January was 692,750 barrels, an increase from 636,000 in the previous month.

Variations in the steel ingot rate ranged from 101 to 103 per cent. On the basis of annual productive capacity, the estimated January production was 1,300,000 net tons, or about 20 per cent of the total for the nation. The rate at which capacities have been used in the Chicago area has been increasing, and capacity has increased since the beginning of 1940. In January 1940 the average weekly rate was 89.3. By January 1941 it had

been increased to 98.3, and in January 1942 the average was raised to 101.5. The rate for the entire country has been less than at Chicago. The national average for January 1940 was 83.4. For January 1941 it was 96.9, and for January 1942 it declined slightly to 96.5.

The ability of producers in the Chicago area to maintain their position in relation to the national rate has been due in part to the less stringent local scrap situation. During January scrap shipments fell off an estimated 75 per cent, due to the cold wave, causing the closing of a number of furnaces in and around Detroit. The relation of scrap supplies to the demands of producers has been further reduced by the virtual elimination of the automobile industry as a source of prime industrial scrap.

Total construction for the area increased 10 per cent during January from the volume attained during the same period of 1941, but showed no significant increase over December. Residential building gained 16 per cent, and non-residential construction rose 14 per cent over a year ago. Public utility construction was 45 per cent below that of a year ago.

Payroll figures for December, the latest available, continued their upward movement, reaching a new all-time high of 179 per cent of the 1935-39 average, a gain of 27 per cent over a year ago. The increases were about equal in the durable and nondurable groups. The former increased 26 per cent, and the latter 22. The metals group led with a gain of 42 per cent, followed by chemicals with 30 per cent, and food with 29. The vehicle and rubber groups were the only ones to show declines.

While the index of employment for December declined to 141 from 144 the previous month, the index a year ago was 121.8, a yearly increase of 16 per cent. Every group except metals, paper and printing, and leather showed slight losses in the monthly comparison. Every classification showed substantial increases over December 1940.

Fears of shortages and price increases caused a rush of retail buying which increased the dollar volume of department store sales to a new record for January. Sales were particularly heavy during the weeks ended January 17 and 24. January clearances were a substantial factor, but buying spread to other lines.

Money Market in January

Treasury Bill Market

Rates at which new issues of Treasury bills were sold were lower in the last three weeks of January and the first two weeks of February than in preceding weeks. The average yield, however, has risen from 0.119 on bills dated January 14 to 0.250 on bills dated February 11. Treasury bill issues, beginning with those dated January 14, have had the usual 91-day maturity. The average yield was 0.304 on the 71-day bills dated January 7. Lower rates were brought about by the heavy demand in the Chicago District for bills in anticipation of the April 1 personal property tax date and by substantial purchases by New York City banks.

In the two weeks ended January 14, the Treasury further increased the amount of bills outstanding by \$100 million. In each of these two weeks the weekly bill offering of \$150 million replaced a maturing issue of \$100 million. On January 21 and 28, weekly bill offerings of \$150 million replaced maturing issues of the same amount. At the end of January, the amount of Treasury bills outstanding was \$2,101 million, \$800 million greater than before October 22, when the Treasury began to increase the amount outstanding.

With the issue of bills dated January 21, the Treasury no longer permitted qualified depository banks to make payment to the Government in war loan accounts for Treasury bills allotted to them for themselves and their customers. Such permission had previously been granted, beginning with the issue dated November 19.

Changes in the distribution of Treasury bill holdings during January were in sharp contrast to those between the middle of October and the

FEDERAL RESERVE HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES, DIRECT AND FULLY GUARANTEED

(In thousands of dollars)

	Changes in Week Ended		Holdings on January 28
	January 21	January 28	
Bonds.....	+84,800	-1,450	1,550,155
Notes.....	-84,800	0	692,500
Bills.....	-4,370	-6,000	0
Total.....	-4,370	-7,450	2,242,655

end of December. Chicago reporting member banks increased their bill holdings by \$174 million during January, in anticipation of a demand for Treasury bills maturing shortly after April 1, the assessment date for personal property taxes levied on bank deposits in the State of Illinois. In addition, bill holdings of non-bankers in the Chicago District undoubtedly increased.

Weekly reporting member banks in New York City increased their bill holdings by \$159 million, for excess reserves of New York City banks rose during January. In the earlier period, New York City banks had allowed their bill holdings to decline by \$140 million. Much of the decline in excess reserves from October to December was concentrated in New York City banks.

Bill holdings of reporting member banks in 99 cities other than New York and Chicago increased \$24 million in January, after an increase of \$158 million from October 15 to December 31.

Holdings of others than weekly reporting member banks declined \$257 million during January. In the earlier period, attracted by higher rates, buyers other than weekly reporting member banks increased their holdings by \$659 million. The Treasury survey of ownership of Government obligations indicates that the 762 insurance companies covered in the survey increased their holdings of Treasury bills by \$162 million during October.

Open-Market Operations

In the week ended January 28, Federal Reserve bank holdings of bonds declined \$1,450 thousand. On January 28, there were no Treasury bills among the Federal Reserve holdings of Government securities, following a decline of \$10,370 thousand in the two weeks ended January 28. In the week ended January 21, Federal Reserve bond holdings increased \$84,800 thousand, and Federal Reserve note holdings decreased by the

TREASURY BILLS OUTSTANDING AND HELD BY WEEKLY REPORTING MEMBER BANKS

OCTOBER 15, 1941—JANUARY 28, 1942
(In millions of dollars)

	Increase or Decrease		Holdings on January 28
	October 15—December 31	December 31—January 28	
Outstanding.....	+700	+100	2,101
Holdings of weekly reporting member banks:			
New York City.....	-140	+159	468
Chicago.....	+23	+174	430
99 other cities.....	+158	+24	342
Holdings of others than weekly reporting member banks.....	+659	-257	861

same amount, reflecting the exchange of Treasury bonds for four issues of Treasury notes and agency issues.

Secretary Morgenthau announced on January 15 that market transactions in Government securities for Treasury investment account in December 1941 resulted in net purchases of \$60,004 thousand. There were no sales or purchases in November.

Weekly Reporting Member Banks

Commercial, industrial, and agricultural loans at weekly reporting member banks in 101 cities rose \$57 million in the week ended January 28, after virtually no change in the three preceding weeks. Holdings of Government obligations, direct and fully guaranteed, rose \$349 million in the four weeks ended January 28. Treasury bill holdings rose \$357 million, and holdings of Treasury notes, United States bonds, and guaranteed obligations declined \$8 million. Holdings of other securities increased \$23 million in the four weeks ended January 28.

In the week ended January 21, holdings of Treasury notes declined \$134 million, and holdings of guaranteed obligations declined \$269 million, while holdings of United States bonds rose \$383 million. These changes reflected the exchange offering of 2 per cent Treasury bonds of 1949-51 in exchange for the 1½ per cent Treasury notes maturing March 15, 1942, the 3 per cent Federal Farm Mortgage Corporation bonds of 1942-47 called for redemption on January 15, 1942, the 2½ per cent Federal Farm Mortgage Corporation bonds of 1942-47 called for redemption on March 1, 1942, and the ½ per cent Reconstruction Finance Corporation notes maturing January 15, 1942.

Demand deposits adjusted at weekly reporting

RESERVE POSITION SEVENTH DISTRICT MEMBER BANKS JANUARY 1-15, 1942 (Amounts in millions of dollars)					
	Reserve Bal- ances	Re- quired Re- serves	Excess Re- serves	Ratio of Excess Reserves to Re- quired Reserves	Ratio of Excess Reserves to District Excess Reserves
Chicago Central Reserve City Banks.....	1,060	839	221	26.3	44.7
Reserve City Banks	484	328	156	47.6	31.6
Country Banks.....	290	172	118	68.4	23.8
Seventh District...	1,833	1,339	495	37.0	100.0

RESERVE BALANCES, REQUIRED RESERVES, AND EXCESS RESERVES OF ALL MEMBER BANKS JANUARY 1942 (In millions of dollars)

	Change in Week Ended				Jan. 28
	Jan. 7	Jan. 14	Jan. 21	Jan. 28	
FACTORS, INCREASES IN WHICH ADD TO RESERVE BALANCES:					
Reserve bank credit outstanding.....	+25	+4	-7	-44	2,339
Gold stock.....	+6	-2	+10	-6	22,744
Treasury currency.....	..	+4	+3	+1	3,256
FACTORS, INCREASES IN WHICH REDUCE RESERVE BALANCES:					
Currency in circulation.....	-52	-47	+15	+20	11,097
Treasury cash holdings.....	+5	+4	-20	-8	2,196
Treasury deposits with Federal Reserve banks.....	-204	-244	-135	+18	302
Foreign deposits.....	+13	-33	-25	-14	716
Other deposits.....	+2	+52	+17	+6	663
Other Federal Reserve accounts.....	+1	0	0	-1	290
MEMBER BANK RESERVE BALANCES.....					
	+267	+275	+153	-70	13,075
REQUIRED RESERVES.....	-33	+105	+133	+30	9,595
EXCESS RESERVES.....	+300	+170	+20	-100	3,480

member banks in 101 cities rose \$1,097 million in the four weeks ended January 28, in large part as a result of defense expenditures from Treasury deposits with the Federal Reserve banks. Time deposits declined \$107 million during the four-week period.

Member Bank Reserves

Excess reserves of all member banks rose during January to \$3,480 million on January 28, as compared with \$3,090 million at the end of December. This increase was caused in large part by a decline in Treasury deposits with Federal Reserve banks from \$867 million on December 31 to \$284 million on January 21. Currency in circulation declined \$99 million in the first two weeks of January, but increased \$35 million in the two weeks ended January 28.

In the first two weeks of January, excess reserves of Seventh District member banks amounted to 37 per cent of required reserves. The ratio of excess reserves to required reserves was 26 per cent for Chicago central reserve city banks, 48 per cent for reserve city banks, and 68 per cent for country banks. Of the excess reserves in the Seventh District, Chicago central reserve city banks held 45 per cent, reserve city banks held 32 per cent, and country banks 24 per cent.

Treasury Finance in January

Defense Expenditures

Defense expenditures of the Federal Government have shown substantial gains since the outbreak of war. Defense outlays, as reported in daily Treasury statements, amounted to \$2,101 million in January, \$1,847 million in December, and \$1,437 million in November.

Estimated defense expenditures for the fiscal year ended June 30, 1942 are \$23,996 million. In the first seven months of the fiscal year 1942, from July 1941 through January 1942, defense expenditures have amounted to \$10,315 million. On this basis, estimated war expenditures for the remaining five months of the fiscal year 1942 are \$13,682 million, or \$2,736 million per month.

In his budget message to Congress, President Roosevelt stated that our present objective calls for war expenditures of nearly \$53,000 million for the fiscal year 1943. In addition, net outlays of Government corporations for war are estimated as about \$3,000 million for the fiscal year 1943. Total war expenditures may surpass \$5,000 million a month during the fiscal year 1943.

Defense Savings Bonds

Total sales of defense savings bonds in the nation were \$1,061 million in January, twice the total sales in December, and almost five times the total sales in November.

Sales of Series E bonds amounted to \$667 million in January, almost twice the sales in December, and more than six times the sales in November. Sales of Series F and G bonds were very large in January, and amounted to \$78 million and \$316 million, respectively.

SALES OF DEFENSE SAVINGS BONDS MAY 1941—JANUARY 1942

(Issue price. In millions of dollars)

Month	Series			Total
	E	F	G	
1941				
May.....	101	38	211	350
June.....	103	29	183	315
July.....	145	27	170	342
August.....	118	20	128	266
September.....	105	18	109	232
October.....	123	23	125	271
November.....	110	19	105	235
December.....	341	33	154	529
1942				
January.....	667	78	316	1,061
Total.....	1,812	285	1,501	3,598

Sales of defense savings bonds in February and March may not be so large as in January, because many purchasers of savings bonds in large amounts bought in January the maximum amounts which they are allowed to purchase in any one calendar year.

As war expenditures rise, renewed effort must be made to divert current income, through voluntary payroll savings plans, into the purchase of defense savings bonds. To check inflation, purchases of defense savings bonds must be increased to much higher levels.

Treasury Tax Notes

During January sales of Treasury tax notes amounted to \$226 million comprising \$6 million of Series A-1944 and \$220 million of Series B-1944.

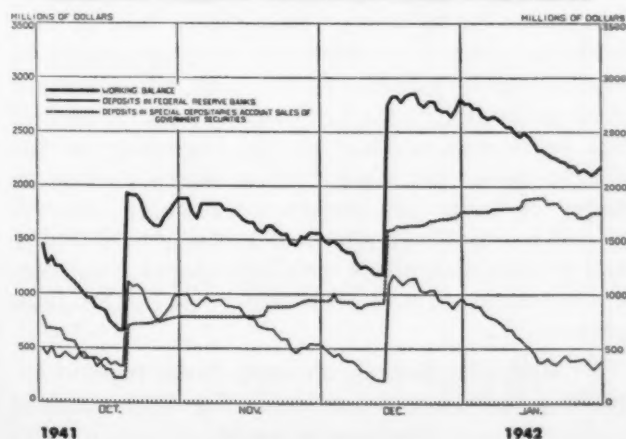
Working Balance

The Treasury working balance rose to a very high level following the December 15 financing and receipt of quarterly income tax collections, but has declined steadily since that time, except for increases in the last few days of December and the last few days of January caused by heavy month-end sales of tax notes and Series F and G savings bonds.

Treasury deposits with Federal Reserve banks declined from the middle of December to the middle of January, as a result of heavy war expenditures. This drawing down of Treasury deposits with Federal Reserve banks caused member bank

(Continued on page 6)

TREASURY WORKING BALANCE AND CHIEF COMPONENTS



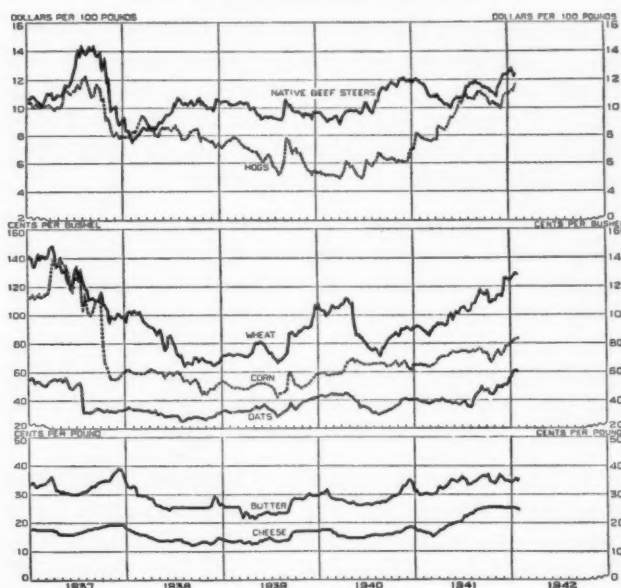
Agricultural Production, Prices, and Income

Agricultural prices generally continued their upward movement during January. Domestic demand and lend-lease buying continued to strengthen effectively prices for important items. During part of the month some strength came from the expectations that prevailed rather generally regarding the price control bill. However, after it had been signed by the President, some uncertainties developed while price policies regarding Government-owned stocks of grains and cotton were taking shape.

January hog prices at Chicago were around 60 to 65 cents above the December average. A rapid rise began after January 22, bringing the top price up to \$12.85 on February 5 and the average to \$12.55. Wheat prices edged up slightly until the last week in January with the futures selling above \$1.30, but during the last week of January and early February have fallen off a little. The Government selling price of \$1.30 and later \$1.31 for Government-owned wheat appears to have set somewhat of an upper limit on wheat prices. Corn prices were fairly stable during the month of January except for the brief spurt around January 20-27, when the futures rose around 4 cents in five days. Secretary Wickard's statement that the rise was speculative and out of line brought a reaction to somewhat lower levels. Cash Number 3 Yellow at Chicago averaged around 82 cents for the month. During the month announcement was made that substantial quantities of Government wheat and corn stocks were being released to provide ample feed for livestock and poultry producers and for conversion into industrial alcohol to take some of the pressure off sugar. Where sold for feed, the lower grades of wheat are to be mostly ground wheat, and are to be sold at a price comparable to corn in terms of feed content. Sales of wheat for conversion into alcohol were to be made at about 91 cents per bushel, but with the price going as low as 80 cents where the high costs of processors make such a price advisable. The Secretary has announced continuation of the policy of maintaining sales of corn at 85 per cent of parity in order to provide ample feed. The needs are based on a 1941 fall pig crop 18 per cent larger than that of 1940, and an anticipated increase of 28 per cent in the 1942 spring crop over 1941.

Cattle prices were mildly above December, but rather liberal supplies of animals tended to glut

PRICES OF FARM PRODUCTS AT CHICAGO



the dressed trade, and reports were that stocks were accumulating in coolers.

Soybeans advanced rather substantially during the month of January, moving from around \$1.80 for the May future to above \$2.00 in the last week of the month. During the fourth week, however, prices tended downward along with the grains. Farmers are reported holding back stocks in expectation of meeting the grade requirements as seed stock, under which the Government has promised a price of \$2.00 for seed germinating 85 per cent or better, in order to assure ample seed for the expanded acreage called for in the 1942 goals.

Butter prices have held about steady during the month, with the 92 score at Chicago bringing 34½ cents to 36 cents. Eggs were less steady, with the price of fresh firsts ranging around 34 cents until the middle of the month, when a slight decline brought them down to 33 cents. A high of 34½ cents was reached at the beginning of the fourth week, but since then a sharp decline to below 30 cents has occurred. Receipts are reported as relatively plentiful, and due to shipping and storage difficulties the Government purchases are reported to have been somewhat lighter than previously.

Preliminary figures on cash farm income including Government payments for 1941 indicate

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Price Standards Set By Price Control Bill

The "Emergency Price Control Act of 1942" having been signed by the President is now the law of the land. Leon Henderson has been named as Administrator. Many impressions are current as to what the law really does provide, some of them highly conflicting.

The stated purposes of the bill are: (1) to prevent or check run-away price inflation; (2) to provide a means of stimulating production of essential war materials; (3) indirectly to stabilize wages and costs of production.

Powers under the bill are extensive. Ceilings on prices can be set for all markets, including retail. Rents can be set in defense areas as of April 1, 1941 if State and local authorities fail after warning to do so; wages are specifically exempted.

To carry out the purposes of the bill the Administrator is authorized to buy and sell, either publicly or privately, to store and use commodities, to make subsidies to producers.

Agricultural prices are subject to special provisions. Under the bill the general level to be taken into consideration in fixing ceilings is October 1 to October 15, 1941. But for agricultural prices ceilings cannot be fixed below the highest price shown by any of the following four measures: (1) 110 per cent of parity with the 1910-14 period (or comparable price determined by the Secretary of Agriculture); (2) the market price

on October 1, 1941; (3) the market price on December 15, 1941; (4) the average price during the period 1919-1929. The table below shows the price limits as of January 15 under these standards. Ceilings on products processed in whole or in substantial part from farm commodities are required to reflect to the producer prices at least equal to the highest of the four points listed. Commodities now operating under marketing agreements or orders (such as milk-shed markets) are exempted from control. An important provision is that no action may be taken with respect to any agricultural commodity without the prior approval of the Secretary of Agriculture. Provision is made for hearing protests from the regulations of the Administrator, and where such protests are denied Emergency Courts of Appeal are to be set up to hear protests and are required to set aside all regulations that are arbitrary, capricious, or do not conform to law.

Enforcement of orders and regulations is to be by court injunction instituted by the Administrator against offenders; or, after six months from enactment offended purchasers may sue for damages of \$50 plus costs or three times the excess of price above the ceiling (whichever is greater); or by court action, after due warning has been ignored by offender, to rescind license for 12 months, to deal in the specific commodity involved in the violation. Under the act, the Administrator may require licenses of each enterprise dealing in regulated commodity, except that no farmer may be required to have a license to sell products he has produced himself. Criminal action is provided as enforcement for certain provisions of the act. All previous price ceilings and orders that have been established or issued by the Administrator are blanketed under the act to the extent that they conform to the provisions of this law.

For those who are interested in the effect of setting four lower limits to farm price ceilings in the bill, the adjoining table shows the lower limits for each standard for a number of important agricultural commodities. The first column of figures shows the percentage which the January 15 price was of the "effective" lower limit to price ceilings under the bill, the limits being shown within parentheses.

FARM PRICE CEILING STANDARDS

Commodity	Unit	Jan. 15 price as per cent of lower limit	110 per cent of parity	Oct. 1, '41 price	Dec. 15, '41 price	1919-29 price
Wheat.....	(bu.)	75	(\$1.420)	\$.934	\$1.022	\$1.325
Corn.....	(bu.)	71	(1.031)	.678	.669	.889
Flax.....	(bu.)	72	(2.72)	1.74	1.78	2.34
Cotton.....	(lb.)	79	.199	.170	.162	(.214)
Cottonseed..	(tons)	86	36.21	(50.36)	44.65	36.17
Potatoes....	(bu.)	79	1.140	.658	.827	(1.241)
Peanuts.....	(lb.)	66	(.077)	.045	.048	.058
Soybeans....	(bu.)	75	1.53	1.52	1.47	(2.21)
Hogs.....	(cwt)	91	(11.59)	10.59	10.21	9.77
Beef Cattle..	(cwt)	104	8.37	9.27	(9.38)	6.87
Veal Calves.	(cwt)	108	10.85	11.20	(11.22)	9.65
Lambs.....	(cwt)	94	9.43	9.65	9.86	(10.98)
Butterfat....	(lb.)	81	(.446)	.371	.360	.440
Chickens....	(lb.)	79	.183	.162	.158	(.214)
Eggs.....	(doz.)	92	.328	.311	(.341)	.332
Wool.....	(lb.)	103	.294	.363	(.371)	.341
Beans.....	(cwt)	85	5.41	4.31	4.93	(5.77)

Agricultural Production and Income

(Continued from page 4)

that gross returns for farmers in 1941 were nearly 30 per cent larger than in 1940. This is true for the five States of the Seventh Federal Reserve District as well as for the country as a whole. Between one-fourth and one-fifth of the United States total accrued to the farmers in these five States.

Total acreage of 46 principal crops harvested in 1941 exceeded 1940 by about one per cent. The national corn crop of 2,673 million bushels was 9 per cent above 1940 and nearly one-sixth larger than the 1930-39 average. For the five States of this District the crop was 8 per cent larger than last year.

The five States produced 77 per cent of the estimated total crop of soybeans amounting to almost 107 million bushels. For both the District and the nation the crop was nearly 40 per cent larger than the 1940 crop, more of the crop having been harvested for beans in 1941. The current crop of beans is three times the average of 1930-39. Goals for 1942 call for additional expansion, but a serious problem is presented by the need for adequate processing plants for oil extraction. Some suggestion has been made that cottonseed plants in the South be utilized for the beans, but these plants cannot be fully converted to economical processing of beans, while the problem of transportation will still remain to be solved, even after adaptation of these plants. Some observers have advocated transfer of the equipment to the growing areas on the grounds that this would be more economical in the end, since the important meal-cake byproduct would be used largely in areas adjacent to the bean growing areas.

The Bureau of Agricultural Economics index of prices received by farmers was 149 per cent of the 1909-1914 average on January 15th as compared with 143 per cent for December and 104 per cent for January 1941. The index of prices paid by farmers was 146 for January. As a result, all farm prices taken together were 102 per cent of parity with the 1909-14 period.

Production goals for 1942 were stepped up for many commodities as a result of the changed situation in the Pacific. The revised goals call for increases above those announced in September amounting to 5 million acres of corn, 2 million acres of soybeans, about 1 million acres of flax, 1.5 million acres of peanuts, 4 million head of hogs, and increases in chickens and eggs.

Treasury Finance in January

(Continued from page 3)

reserve balances and adjusted demand deposits to rise.

War loan deposits with commercial banks reached a very high level after the December 15 financing, and since that time have increased gradually as a result of credit to such deposits on account of sales of tax notes and defense savings bonds by banks. In recent weeks, the Treasury has been transferring a portion of its funds in the war loan accounts to Treasury deposits with the Federal Reserve banks.

DEFENSE EXPENDITURES (Daily Treasury statement basis)

Month and Year	Amount (In millions of dollars)
1940	
June.....	154
1941	
June.....	812
July.....	960
August.....	1,124
September.....	1,320
October.....	1,527
November.....	1,437
December.....	1,847
1942	
January.....	2,101

A further sharp increase in Treasury deposits with Federal Reserve banks and in deposits in special depositories on account of sales of Government securities will occur when payment is made for the new Government obligations sold in the Treasury financing in February. The increase in Treasury deposits with Federal Reserve banks at that time will cause a sharp decline in member bank reserve balances.

SALES OF TREASURY TAX NOTES August 1941—January 1942 (In millions of dollars)

Month and Year	Series		Total
	A	B	
1941			
August.....	18	1,019	1,037
September.....	8	298	306
October.....	7	468	475
November.....	4	315	319
December.....	7	327	335
1942			
January.....	6	220	226
Total.....	50	2,647	2,697

**PERCENTAGE INCREASES FROM MARCH 15, 1941 TO
DECEMBER 15, 1941 IN THE COST OF GOODS PURCHASED BY
WAGE EARNERS AND LOWER-SALARIED WORKERS,
BY GROUPS OF ITEMS**

City	All Items	Food	Cloth- ing	Rent	Fuel, Elec- tricity, and Ice	House Furnish- ings	Miscel- laneous
Average:							
Large Cities.....	+9.2	+14.9	+12.4	+2.9	+3.4	+15.0	+5.7
Chicago.....	+9.0	+15.0	+12.2	+3.0	+2.8	+11.0	+5.7
Detroit.....	+10.4	+13.2	+13.6	+7.8	+8.1	+14.1	+7.7
Indianapolis.....	+10.9	+16.6	+14.7	+5.8	+3.0	+18.0	+6.9
Milwaukee.....	+9.9	+14.7	+13.9	+4.0	+3.9	+19.9	+6.6

**INDEXES OF THE COST OF GOODS PURCHASED BY WAGE
EARNERS AND LOWER-SALARIED WORKERS,
BY GROUPS OF ITEMS.**

DECEMBER 15, 1941
(Average 1935-39 = 100)

Average:							
Large Cities.....	110.5	113.1	114.8	108.2	104.1	116.8	107.7
Chicago.....	110.6	113.2	112.2	112.4	103.3	114.9	106.5
Detroit.....	112.7	111.4	116.6	117.6	106.3	117.2	110.1
Indianapolis.....	113.3	115.2	118.1	118.3	103.1	120.4	108.4
Milwaukee.....	109.4	110.5	113.1	106.8	103.8	121.5	107.7

Source: Bureau of Labor Statistics.

**BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
December 1941.....	\$ 46,791,000	\$ 15,764,000
Change from November 1941.....	-30%	-35%
Change from December 1940.....	-2%	-20%
Calendar year 1941.....	\$915,875,000	\$337,328,000
Change from calendar year 1940.....	+40%	+21%

Source: F. W. Dodge Corporation.

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are
not adjusted for seasonal variation unless
otherwise indicated.
1935-39 average = 100

	Dec. 1941	Nov. 1941	Oct. 1941	Dec. 1940	Nov. 1940	Oct. 1940
Manufacturing Industries:						
Durable Goods:						
Employment.....	153	157	157	130	128	123
Payrolls.....	192	192	192	152	148	144
Non-Durable Goods:						
Employment.....	118	119	120	105	104	106
Payrolls.....	143	139	140	117	111	112
Total:						
Employment.....	141	144	144	122	120	118
Payrolls.....	179	176	176	142	137	135
Pig Iron Production: *						
Illinois and Indiana.....	208	203	202	184	191	186
Automobile Production (U. S. and Canada):						
Passenger Cars and Trucks.....	90	111	120	151	152	153
Casting Foundries Shipments:						
Steel—In Dollars.....	480	372	423	178	151	162
In Tons.....	246	204	235	160	138	145
Malleable—In Dollars.....	230	199	244	167	142	147
In Tons.....	188	164	203	158	132	135
Stoves and Furnaces:						
Shipments.....	108	144	156	113	128	183
Furniture Manufacturing:						
Orders in Dollars.....	110	169	186	101	115	154
Shipments in Dollars.....	195	203	233	139	154	166
Paper Manufacturing: *						
Tonnage Production.....	144	140	144	108	111	114
Building Contracts Awarded:						
Residential.....	137	209	263	171	194	272
Total.....	119	160	200	122	180	171
Department Store Net Sales: *						
Chicago.....	203	137	119	192	126	110
Detroit.....	219	157	119	203	139	111
Indianapolis.....	248	165	152	218	144	128
Milwaukee.....	217	151	136	193	124	112
Other Cities.....	223	155	121	203	134	112
Seventh District—Unadjusted.....	213	146	123	197	131	112
Adjusted.....	126	133	117	117	119	106

*Daily average basis.

**STEEL AND MALLEABLE CASTINGS
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change December 1941 from	
	November 1941	December 1940
STEEL CASTINGS:		
Orders booked (tons).....	-16	-71
Orders booked (dollars).....	-3	-49
Shipments (tons).....	+21	+54
Shipments (dollars).....	+29	+170
Production (tons).....	+13	+46
MALLEABLE CASTINGS:		
Orders booked (tons).....	-4	-26
Orders booked (dollars).....	-3	-16
Shipments (tons).....	+15	+21
Shipments (dollars).....	+16	+39
Production (tons).....	+12	+26

**SALES OF INDEPENDENT RETAIL STORES
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change December 1940 to December 1941				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+14	+19	+17	+10	+16
Apparel Group.....	+18	+23	+24	+13	+21
Drug Stores.....	+12	+18	+15	+18	+16
Eating and Drinking Places.....	+11	+14	+12	+20	+16
Food Group.....	+18	+20	+17	+18	+15
Furniture-Household-Radio Group.....	+20	+ 8	+ 6	- 3	+22
Hardware Stores.....	+26	+37	+22	+30	+35
Jewelry Stores.....	+20	+33	+23	+ 8	+ 7
Lumber and Building Materials.....	+13	+25	+24	+28	+23
Motor Vehicle Dealers.....	- 6	-21	-22	- 8

*Includes classifications other than those listed.

Data furnished by Bureau of the Census, United States Department of Commerce.

**WHOLESALE TRADE
SEVENTH FEDERAL RESERVE DISTRICT**

Commodity	Per Cent Change December 1940 to December 1941			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+19	+15	+28	+29
Electrical Goods.....	+13	+08	+15	+61
Groceries.....	+31	+25	+11	+25
Hardware.....	+40	+18	+10	+36
Jewelry.....	+ 9	+27	+ 9	+46
Meats and Meat Products.....	+24	+60	+25	+16
Paper and Its Products.....	+42	+38	+33	+49
Tobacco and Its Products.....	+22	+30	+ 4	+17
Miscellaneous.....	+34	+ 5	+19	+31
Total.....	+28	+23	+14	+30

Data furnished by Bureau of the Census, United States Department of Commerce.

**DEPARTMENT AND APPAREL STORE TRADE
SEVENTH FEDERAL RESERVE DISTRICT**

Locality	Net Sales		Stock on Hand (End of Month)	
	Per Cent Change in December 1941 from		Per Cent Change in December 1941 from	
	November 1941	December 1940	November 1941	December 1940
Chicago.....	+63	+10	+10	-24
Peoria.....	+42	+14	+14	-13
Fort Wayne.....	+39	+28	+27	+41
Indianapolis.....	+60	+18	+19	-22
Des Moines.....	+42	+22	+13
Sioux City.....	+65	+13	+11
Detroit.....	+48	+14	+21	-25
Flint.....	+45	- 2	+16
Grand Rapids.....	+64	+12	+15	-18
Lansing.....	+58	+11	+22
Milwaukee.....	+53	+18	+21	-18
Other Cities.....	+50	+19	+21	-24
Total.....	+55	+14	+16	-22
Apparel Stores.....	+39	+12	+16	-15

HOG-CORN RATIOS				
	Jan. 1942	Dec. 1941	Jan. 1941	Jan. 1940
Illinois.....	14.7	16.2	14.3	10.6
Indiana.....	14.9	16.0	13.6	10.8
Iowa.....	15.3	16.2	16.1	10.9
Michigan.....	13.8	13.7	11.6	10.0
Wisconsin.....	13.8	14.0	13.1	9.4
United States.....	14.5	15.3	13.0	9.7

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

CASH INCOME FROM FARM MARKETING (Including Government Payments)				
	Nov. 1941 (1,000 dollars)	Nov. 1940 (1,000 dollars)	Jan.-Nov. 1941 (1,000 dollars)	Jan.-Nov. 1940 (1,000 dollars)
Illinois.....	72,551	50,230	642,288	514,380
Indiana.....	39,864	29,561	348,564	277,729
Iowa.....	88,913	67,316	791,810	631,522
Michigan.....	37,521	24,421	277,476	223,029
Wisconsin.....	47,793	29,343	391,543	288,263
Total Five States.....	286,642	200,871	2,451,681	1,934,923
Total United States.....	1,300,566	941,745	10,475,509	8,256,869

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

RECEIPTS AND SHIPMENTS OF GRAIN At Interior Primary Markets in the United States (In thousands of bushels)					
	December 1941	December 1940	Per Cent Change Dec. 1941 from Dec. 1940	Ten-Year Average December 1931-40	Per Cent Change Dec. 1941 from Ten-Year Average
WHEAT:					
Receipts.....	22,828	8,918	+156.0	12,453	+83.3
Shipments.....	14,386	9,352	+53.8	12,394	+16.1
CORN:					
Receipts.....	27,809	20,363	+36.6	18,422	+51.0
Shipments.....	13,222	10,406	+27.1	9,173	+44.1
BARLEY:					
Receipts.....	8,087	5,385	+50.2	4,427	+82.7
Shipments.....	6,364	3,784	+68.2	4,618	+37.8

Source: Daily Trade Bulletin.

LIVESTOCK MOVEMENT AND SLAUGHTER						
	Seventh Federal Reserve District Dec. 1941	Per Cent Change from Dec. 1940	United States Total (67 markets) Dec. 1941	Per Cent Change from Dec. 1940	United States Total (67 markets) Jan.-Dec. 1941	Per Cent Change from Jan.-Dec. 1940
RECEIPTS:	1,000 head		1,000 head		1,000 head	
Cattle.....	352	+18.8	1,433	+25.5	15,228	+ 8.2
Calves.....	94	+ 3.2	531	+14.9	6,128	- 2.4
Hogs.....	1,270	- 4.1	3,639	- 3.9	30,659	-11.3
Lambs and Sheep.....	386	- 1.1	1,719	+ 7.6	22,817	+ 0.3
SLAUGHTER:						
Cattle.....	230	+14.7	827	+10.1	8,858	+13.3
Calves.....	74	+ 4.8	302	+ 7.2	3,608	+ 0.1
Hogs.....	959	- 8.6	2,692	- 4.6	22,595	-10.5
Lambs and Sheep.....	260	+ 8.6	1,016	+10.9	11,575	+ 0.6
SHIPMENTS:						
Cattle.....	122	+26.9	590	+33.9	6,241	+ 1.8
Calves.....	20	- 2.7	226	+23.0	2,447	- 7.4
Hogs.....	310	- 6.5	935	- 2.5	7,977	-13.5
Lambs and Sheep.....	117	-18.0	699	+ 1.5	11,236	*

*Decrease of less than one per cent.

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT					
Industrial Group	Week of December 15, 1941			Change from November 15, 1941	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products.....	1,836	600,399	22,903	+ 0.4	+ 3.6
Transportation Equipment.....	381	459,657	20,093	- 8.5	- 9.3
Stone, Clay, and Glass.....	275	26,105	809	- 5.6	- 4.5
Wood Products.....	444	61,141	1,705	- 1.2	+ 4.2
Total.....	2,936	1,147,362	45,510	- 3.6	- 2.7
NON-DURABLE GOODS:					
Textiles and Products.....	429	74,834	1,727	- 1.2	+ 2.5
Food and Products.....	999	126,922	3,880	- 1.9	+ 3.0
Chemical Products.....	309	40,380	1,449	+ 0.3	+ 0.7
Leather Products.....	180	35,028	932	+ 0.5	+ 3.0
Rubber Products.....	35	23,925	789	- 1.1	- 7.6
Paper and Printing.....	690	89,297	3,087	+ 0.9	+ 5.6
Total.....	2,642	390,386	11,864	- 0.7	+ 2.5
Total Mfg., 10 Groups.....	5,578	1,537,748	57,374	- 2.9	- 1.6
Merchandising:					
Public Utilities.....	5,189	185,065	4,306	+12.5	+12.8
Coal Mining.....	1,118	110,136	3,909	- 1.3	- 0.3
Construction.....	47	8,381	304	+ 0.5	+ 2.3
Total Non-Mfg., 4 Groups.....	7,082	317,153	9,055	+ 5.7	+ 5.3
Total, 14 Groups.....	12,660	1,854,901	66,429	- 1.5	- 0.7

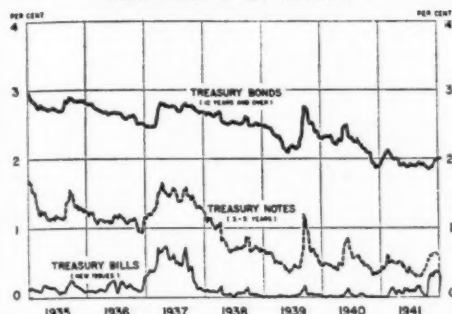
*Other than transportation equipment.

Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

BANK DEBITS Debits to deposit accounts, except interbank accounts					
	(In thousands of dollars)			Per Cent Change Jan. 1942 from	
	Jan. 1942	Dec. 1941	Jan. 1941	Dec. 1941	Jan. 1941
ILLINOIS:					
Aurora.....	17,418	17,410	12,972	*	+34
Bloomington.....	16,059	15,544	13,392	+ 3	+20
Champaign-Urbana.....	20,388	21,660	16,062	- 6	+27
Chicago.....	4,067,868	4,833,987	3,421,886	-16	+19
Danville.....	13,811	13,700	10,938	+ 1	+26
Decatur.....	31,582	40,947	22,364	-23	+41
Elgin.....	10,756	11,933	9,903	-10	+ 9
Moline.....	13,872	14,434	10,009	- 4	+39
Peoria.....	88,405	87,108	65,522	+ 1	+35
Rockford.....	44,922	49,531	34,213	-10	+31
Springfield.....	33,092	37,317	29,627	-11	+12
INDIANA:					
Fort Wayne.....	40,234	53,797	38,521	- 8	+28
Gary.....	25,258	28,191	21,306	-10	+19
Hammond.....	13,105	13,531	10,176	- 3	+29
Indianapolis.....	339,068	329,524	276,227	+ 3	+23
South Bend.....	59,860	66,491	53,182	-10	+13
Terre Haute.....	34,224	35,228	27,201	- 3	+26
IOWA:					
Cedar Rapids.....	39,274	43,229	28,486	- 9	+38
Clinton.....	8,185	9,800	6,565	-16	+25
Davenport.....	29,179	33,567	24,644	-13	+18
Des Moines.....	121,354	139,158	99,368	-13	+22
Dubuque.....	13,914	14,687	11,085	- 5	+26
Macon City.....	14,815	15,407	11,079	- 4	+34
Muscatine.....	4,247	5,561	3,407	-24	+25
Sioux City.....	63,516	63,832	43,269	**	+47
Waterloo.....	27,973	29,049	21,642	- 4	+29
MICHIGAN:					
Adrian.....	5,908	6,242	5,234	- 5	+13
Battle Creek.....	19,538	21,463	16,231	- 9	+20
Bay City.....	17,036	20,390	13,206	-16	+29
Detroit.....	1,459,576	1,641,144	1,248,018	-11	+17
Flint.....	35,485	41,259	33,540	-14	+ 6
Grand Rapids.....	72,627	81,224	65,466	-11	+11
Jackson.....	28,079	28,393	18,174	- 9	+27
Kalamazoo.....	33,189	39,943	27,612	-17	+30
Lansing.....	35,789	38,035	30,440	- 6	+18
Saginaw.....	30,108	41,471	28,489	-27	+18
WISCONSIN:					
Green Bay.....	21,722	21,979	16,689	- 1	+30
Manitowish.....	9,546	11,438	8,043	-17	+19
Milwaukee.....	384,037	451,008	314,064	-15	+22
Oshkosh.....	12,462	13,779	11,497	- 8	+10
Sheboygan.....	29,463	37,021	21,640	-20	+36
SEVENTH DISTRICT:					
41 Cities.....	7,391,142	8,516,592	6,178,398	-13	+20
UNITED STATES:					
274 Cities.....	48,610,000	56,589,000	41,133,000	-14	+18

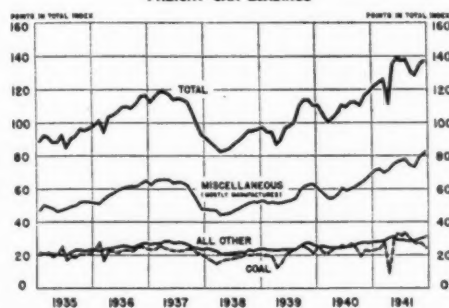
*Increase of less than one per cent. **Decrease of less than one per cent.

MONEY RATES IN NEW YORK CITY



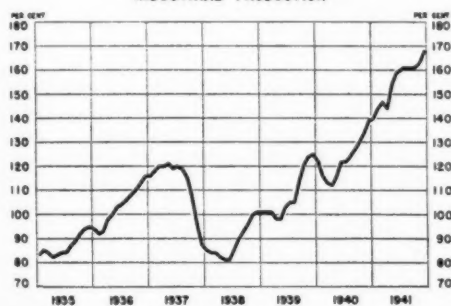
Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to January 17, 1942.

FREIGHT-CAR LOADINGS



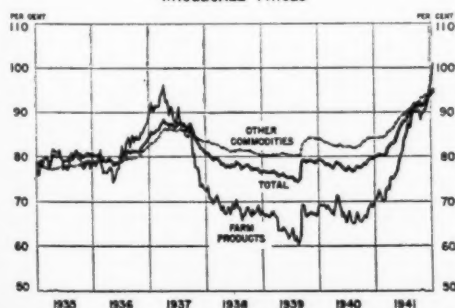
Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to December 1941.

INDUSTRIAL PRODUCTION



Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to December 1941.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending January 17, 1942.

National Summary of Business Conditions

(By the Board of Governors of the Federal Reserve System)

Industrial activity declined less than seasonally in December and the first half of January, retail trade continued in large volume, and prices of many commodities rose further.

Production—In December total volume of industrial output declined less than is usual at this season, and the Board's adjusted index rose further to 168 per cent of the 1935-1939 average. In the armament industries output continued to advance and at machinery plants activity rose sharply, following little change in November. Output of materials, such as iron and steel and nonferrous metals, continued at peak levels, and lumber production showed less than the usual seasonal decrease. Automobile production declined sharply in the latter half of December, following announcement of sharp reductions in passenger car quotas, but early in January quotas for that month were increased and output rose considerably. Sales of new automobiles to civilians were halted at the beginning of January, pending the establishment of a rationing system.

Textile production declined somewhat in December, owing to a reduction in activity at cotton mills from the record level reached in November. Output of wool and rayon textiles was sustained at about capacity. Output of manufactured food products and shoe production showed about the customary seasonal declines. Coal output decreased somewhat in December, while petroleum production and mining of nonferrous metals were maintained at the high November rate.

Value of construction contracts awarded in December declined less than is usual at this time of year, according to figures of the F. W. Dodge Corporation. Awards for public projects showed little change, while those for residential construction declined less than seasonally following a considerable reduction in November.

Distribution—Volume of retail trade, which had been large during most of the autumn, increased less than seasonally in December. This reflected, to some extent, a temporary slackening in sales around the middle of the month following this country's entry into the war. In the first half of January, sales at department stores showed less than the customary sharp reduction from the Christmas buying peak and were at a level substantially higher in comparison with a year ago than that prevailing in other recent months.

Freight-car loadings of most products decreased by less than the customary seasonal amount in December. Coal shipments declined considerably in the latter part of the month but then increased sharply in the first half of January. Shipments of miscellaneous freight, which includes most manufactured products, were maintained in large volume for this season of the year.

Commodity Prices—Wholesale commodity prices increased sharply when this country entered the war early in December and then showed little change during the latter half of the month. In the first half of January prices again advanced, the principal increases being in agricultural commodities and chemicals.

Federal action to impose maximum prices was accelerated with the outbreak of war and applied on a wider scale to industrial products. Ceilings were extended to products in later stages of production and distribution, and in most instances covered consumers' goods. Certain of the actions, like those relating to rubber and wool products, were associated with new Federal production restrictions. In this period also there were advances in a number of price ceilings established earlier.

Bank Credit—Total loans and investments of banks in leading cities, which had advanced sharply during the first half of December, have subsequently shown little further change.

Treasury financing in the middle of December and heavy currency withdrawals during the holiday season absorbed close to 700 million dollars of excess reserves during the month. About 500 million of this was recovered in the first half of January, as the result of a decline in Treasury deposits at the Reserve banks and a return of currency from circulation. Recent changes in excess reserves have been almost entirely at banks outside of New York City.

United States Government Security Prices—Prices of Government securities were steady in the first half of January, following a decline in December after the entry of the United States into the war.

SEVENTH FEDERAL



RESERVE DISTRICT



